

Exhibit No.:
Witness: Maurice Brubaker
Type of Exhibit: Surrebuttal Testimony
Issue: Rate Design
Sponsoring Parties: Industrials
Case No.: ER-2009-0090

**BEFORE THE PUBLIC SERVICE
COMMISSION OF THE STATE OF MISSOURI**

In the Matter of the Application of Aquila,)
Inc. d/b/a KCP&L Greater Missouri)
Operations Company for Approval to Make) **Case No. ER-2009-0090**
Certain Changes in its Charges for Electric)
Service.)
_____)

Surrebuttal Testimony of

**Maurice Brubaker
on Rate Design Issues**

On behalf of

**Ag Processing, Inc.
Sedalia Industrial Energy Users Association
Wal-Mart Stores, Inc.
Whiteman Air Force Base**

April 9, 2009



Project 9051

1 **Q IS YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE OUTLINED IN**
2 **THAT TESTIMONY?**

3 A Yes. This information is included in Appendix A to my direct testimony on rate design
4 issues.

5 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

6 A This testimony is presented on behalf of Ag Processing, Inc., the Sedalia Industrial
7 Energy Users Association, Wal-Mart Stores, Inc., and Whiteman Air Force Base
8 (collectively "Industrials").

9 **Q WHAT IS THE SUBJECT OF YOUR TESTIMONY?**

10 A I am responding to the rebuttal testimony filed by Missouri PSC Staff witness Walt
11 Cecil, Office of Public Counsel (OPC) witness Ryan Kind and KCPL-GMO witness
12 Tim Rush.

13 **Q HOW DO STAFF WITNESS CECIL AND OPC WITNESS KIND RECOMMEND**
14 **ADJUSTING THE TARIFFS TO IMPLEMENT WHATEVER RATE INCREASE IS**
15 **FOUND APPROPRIATE IN THIS CASE?**

16 A In their rebuttal testimonies, both witnesses endorsed applying an equal percentage
17 increase to the existing base rates. Further, both witnesses criticized my proposal
18 because it results in slightly different percentage increases across customer classes.

1 **Q DO YOU OBJECT TO IMPLEMENTING ANY RATE INCREASE AS AN EQUAL**
2 **PERCENT APPLIED TO EXISTING BASE RATE REVENUES?**

3 A Staff and OPC expressed their recommendations in very general terms and did not
4 address how changes in the base of the fuel adjustment clause (FAC) would be
5 incorporated. If the methodology supported by Staff and OPC is: (1) to apply a
6 uniform percentage increase to the existing base rate charges of all tariffs in order to
7 derive new tariffs that collect the revenue requirement found appropriate by the
8 Commission (including trackable fuel and purchased power expenses), and (2) then
9 identify the new per kWh base fuel component that exists in these tariffs, I would not
10 have an objection to this methodology in the context of this case. However, if their
11 recommendation is that changes in the base of the FAC be implemented separately
12 through a mills per kWh adjustment, I would object.

13 **Q WHY WOULD YOU OBJECT IN THE ABOVE-REFERENCED LATTER**
14 **CIRCUMSTANCES?**

15 A As I explained in my direct testimony, now that Aquila has a FAC, changes in the
16 level of trackable fuel and purchased power costs are passed through to customers
17 on a mills per kWh basis (adjusted for voltage level losses), so that industrial
18 customers see a larger percentage impact on their tariffs than do other classes when
19 fuel and purchased power costs increase. Failure to recognize this mechanism would
20 result in overcharges to large, high load factor customers.

21 **Q PLEASE ELABORATE.**

22 A As I explained in my direct testimony, if the fuel cost changes are carved out and
23 dealt with separately on a mills per kWh basis, the remaining or residual shortfall in

1 revenue requirement is due strictly to changes in the level of non-fuel costs. When
2 increases in fuel costs are passed through on a per kWh basis, the only logical way to
3 treat increases in non-fuel costs is to spread the increase in non-fuel costs as an
4 equal percentage of existing non-fuel revenues. This maintains the intended
5 separation of fuel and non-fuel costs and preserves the existing relationships among
6 classes with respect to both cost elements.

7 **Q WHAT DOES KCPL WITNESS RUSH HAVE TO SAY ABOUT YOUR RATE**
8 **DESIGN PROPOSAL?**

9 A Mr. Rush basically reiterates his original proposal, which is to increase existing tariffs
10 for his proposed re-basing of the FAC before applying the increase in non-fuel costs
11 as an equal percent of total revenue, including the elevated FAC component of each
12 rate.

13 **Q WHAT IS MR. RUSH'S JUSTIFICATION?**

14 A He has a couple of paragraphs on page 3 where he argues that most of the increase
15 in this case is driven by environmental capital costs and also by fuel and purchased
16 power costs.

17 **Q MR. RUSH ARGUES THAT THESE ARE SOMEHOW ALL ENERGY-RELATED**
18 **COSTS. DO YOU AGREE?**

19 A I certainly do not agree that the capital costs associated with environmental
20 equipment are energy-related. These costs are fixed in nature and traditionally are
21 treated as fixed or non-fuel costs.

1 To the extent that there are changes in fuel and purchased power costs, my
2 rate design explicitly recognizes this by passing those changes in costs through on a
3 per kWh (loss adjusted) basis.

4 As noted above, my method avoids double-counting the impact of increases in
5 fuel costs when allocating the increase in non-fuel costs, by separating non-fuel costs
6 completely from fuel-related costs.

7 Nothing in Mr. Rush's rebuttal testimony deals directly with my
8 recommendation, and his justification for his original proposal continues to ignore the
9 operation and impact of the FAC mechanism.

10 Mr. Rush's position on my rate design proposal is also somewhat surprising
11 given that my proposal is identical to the approach he currently is supporting in the
12 pending KCPL rate case in Kansas, 09-KCPE-246-RTS. In that case, Mr. Rush
13 proposes that increases in costs for non-fuel items be treated separate and apart
14 from the costs recovered by the FAC. Therefore, in Kansas, KCPL proposes to
15 increase the non-fuel rates on an "equal percentage basis" while simultaneously
16 collecting any increases in fuel costs on a cents per kWh basis, just like I have
17 proposed here.¹

18 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

19 **A** Yes, it does.

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¹For a copy of Mr. Rush's testimony see <http://www.kcc.state.ks.us/scan/200809/20080905160535.pdf>.